



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

City of Everson

Whatcom County

For the period January 1, 2011 through December 31, 2013

Published December 22, 2014

Report No. 1013188





Washington State Auditor Troy Kelley

December 22, 2014

Mayor and City Council
City of Everson
Everson, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the City's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, City operations complied with applicable requirements and provided adequate safeguarding of public resources. The City also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to City management in a letter dated December 3, 2014, related to cost allocation. We appreciate the City's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the City of Everson from January 1, 2011 through December 31, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the City's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Contracts and agreements
- Open Public Meetings Act
- Financial condition
- Software security
- Cash receipting
- Payroll
- Disbursements
- Bank account oversight
- Utility billing and receivables
- Cost allocation
- Fuel usage

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of the City of Everson is provided below:

1. The City's internal controls over financial operations are inadequate to safeguard public resources and ensure compliance with state laws and regulations.

Report No. 1007489, dated March 8, 2012

Background

The City had not established effective internal controls over financial operations. The City relied on the Deputy Clerk/Treasurer to perform incompatible duties without monitoring and oversight to mitigate the risk of misappropriation and error. We identified internal control weaknesses concerning the oversight of bank accounts, cash receipting, utility billings and payroll.

Status

The City has partially corrected the internal control weaknesses noted in this finding. We noted improvements in the City's control structure, which includes added oversight and segregated duties; however, the City has not establish written, Board approved policies detailing procedures and oversight for cash receipting, utility billing adjustments, payroll credit cards and fuel cards. We will review the City's progress during our next audit.

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements.

INFORMATION ABOUT THE CITY

The City of Everson, incorporated in 1929, serves approximately 2,500 citizens in Whatcom County. The City provides public safety, street improvements, parks and recreation and general administrative services. In addition, the City owns and operates a water distribution system and a sewage collection system. For fire protection, the City contracts with Whatcom County Fire Protection District No. 1. The City is in the process of being annexed into the fire district.

An elected, five-member City Council and an independently elected Mayor govern the City. Council Members serve staggered, four-year terms. For fiscal years 2011, 2012 and 2013, the City had 15 employees and operated on budgets of \$1.4 million, \$1.5 million and \$1.7 million, respectively.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Everson at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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